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C O N F I D E N T I A L SECTION 01 OF 05 WELLINGTON 000686

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FOR EAP, EAP/ANP  
NSC FOR D. WILDER  
STATE PASS USTR  
DOD/OSD FOR JESSICA POWERS

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SUBJECT: NEW ZEALAND: ASSISTANT SECRETARY HILL'S MEETINGS  
WITH NEW ZEALAND OFFICIALS IN AUCKLAND, SEPTEMBER 10, 2007

Classified By: Consul General John Desrocher for reasons 1.4 (b) and (d).

¶1. (U) Assistant Secretary Hill has cleared this message, which was drafted by ConGen Auckland and approved by Embassy Wellington.

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Summary  
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¶2. (C) Assistant Secretary Hill's New Zealand interlocutors emphasized the need to ensure that, as New Zealand approaches national elections, the recent improvement in relations is not undermined by political posturing. With that in mind, New Zealand officials expressed caution about high-profile visits, but said a visit by the Secretary early in the year would be welcome. GNZ officials understood the difficulty of opening bilateral FTA discussions and expressed great interest in a regional trade arrangement should the Doha round collapse. All of Hill's interlocutors emphasized the GNZ's determination to "stick with Afghanistan." On Fiji, GNZ representatives expressed hope that the Fiji establishment will eventually turn on Bainimarama. End summary.

¶3. (SBU) During the U.S.-New Zealand Partnership Forum in Auckland, EAP Assistant Secretary Hill met separately with New Zealand Trade and Defence Minister Phil Goff, Ministry of Foreign Affairs and Trade CEO Simon Murdoch, and opposition leader John Key. Full participant lists are at the end of this message.

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Bilateral Relations  
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¶4. (C) Hill's interlocutors expressed considerable satisfaction with the improvement in U.S.-New Zealand relations over the preceding year. Murdoch noted that both countries were moving into election mode, describing Kiwis as facing a "watershed, generational" election. He stressed

that the two sides need to handle the next year carefully in order to avoid suffering any setbacks. Murdoch proposed to avoid the most high-profile bilateral issues during this period ("the 20% of the iceberg that's above the waterline") while working away on the other 80%, "so that we're well poised when new governments take over in 2009."

15. (C) Murdoch expressed a general reluctance to see any high-level visits during 2008, especially later in the year, fearing New Zealand's elections would so politicize such visits that they risked doing more harm than good. It was noted that Secretary Chertoff was planning to make a trip to New Zealand, and it was agreed that a visit by USTR Schwab would be useful. Hill encouraged his counterparts to consider a visit by Secretary Rice, who already had two more Asia visits planned in the year ahead. Murdoch said that such a visit, especially early in the year, would be welcome.

16. (C) Key noted that his opposition National Party had gained the support of roughly half of New Zealand's voters in recent polls, compared to Labour's 35%. New Zealanders were tired of Labour, Key said, and projected GDP growth next year of barely 1% would make them even more "grumpy." If the polls held true, Key said the U.S. would find a National government to be as friendly as well as "pragmatic, realistic" partner. For example, Key said, National would never change NZ's anti-nuclear policy but it also would not press other nations to eschew nuclear power. Key endorsed the wisdom of keeping the bilateral relationship out of New Zealand's upcoming elections.

17. (C) Shadow Foreign Minister McCully noted that National is finishing a white paper on foreign and defense policies.

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On the defense side, the paper would focus on niche capabilities. McCully said that National is also "considering further investment" on the defense side - National is sensitive to Australian complaints of New Zealand freeloading and "we know that Washington thinks this (more defense spending) is important."

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Trade  
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18. (C) Murdoch expressed appreciation for Hill's public remarks to the Forum supporting, in general terms, a U.S.-NZ FTA. The NZG is increasingly alarmed at the situation in the Doha round; Murdoch noted that "failure of Doha would hurt New Zealand a lot." So much so, Murdoch continued, that the GNZ is very interested in discussing next steps if Doha does indeed fail. NSC Senior Director Dennis Wilder said that the USG is very interested in multilateral options, noting that the concept of a Free Trade Agreement of the Pacific (FTAP) was gaining acceptance, even with China.

19. (C) Murdoch expressed frustration with NZ's own FTA negotiations with Beijing. China was "very risk averse" on tariff elimination, Murdoch said, initially putting products covering 80% of New Zealand's trade with China on a "sensitive" list. On services, he continued, China has "low ambitions" with discussions on education services (particularly important to New Zealand) going badly. The outcome could still be positive, Murdoch concluded, but the pace is slow.

110. (C) Opposition leader Key noted that his National Party hoped to "get in (power) and stay in" after next year's elections. He expressed hope that a bilateral FTA would be possible during the lifetime of a National government, possibly in its second or third three-year term, a timeframe Hill called "realistic." The Australia-U.S. FTA made a New Zealand deal all the more important, Key stressed. New Zealand already loses 35,000 people to Australia every year, and the Australia FTA will only encourage more companies to

shift operations across the Tasman.

¶11. (U) When asked by a reporter in his subsequent press conference whether a U.S.-NZ free trade agreement was "inevitable," Hill responded that he considered such an FTA "logical," something which could happen "eventually." It made sense given the way our relationship is developing, but would require hard work and negotiations by both sides.

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Afghanistan  
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¶12. (C) Murdoch emphasized that New Zealand remains firm in its support of coalition operations in Afghanistan. There is "no question of the criticality of sticking with Afghanistan," he said. While authorization of New Zealand's PRT deployment must be renewed from time to time, McKinnon said "withdrawal is not on the table." New Zealand's Afghanistan deployment stirred little controversy in New Zealand, he added, describing the degree of public support as "reasonable," no doubt because New Zealand troops have not suffered significant casualties. Opposition leader Key made the same point in a later meeting. Both Murdoch and Key noted that the only recent attention New Zealand's deployment had received was a result of the awarding of a Victoria Cross to SAS Corporal Willy Apiata for heroism under fire in 2004, the first VC awarded to a New Zealander since World War Two.

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North Korea  
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¶13. (C) Discussion of recent progress in Hill's talks with

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the DPRK dominated the Goff and Key meetings. Hill explained how recent meetings in Geneva resulted in a DPRK commitment, by the end of 2007, to provide a complete and correct declaration of all its nuclear programs and to disable its existing nuclear facilities. In parallel with the completion of these steps, the DPRK would continue to receive energy assistance and the U.S. will consider terminating application of the Trading with the Enemy Act and removing the designation of the DPRK as a state sponsor of terrorism. Hill also related that he stressed to the DPRK the importance of progress on the Japanese abductions issue. Hill noted that the very day he was meeting with the New Zealanders, a joint U.S.-Russian-Chinese technical team was traveling to Yongbyon to determine how to disable the reactor.

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Fiji  
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¶14. (C) Goff complained that Commodore Bainimarama had been spooked by former PM Qarase's return to Suva and had "gone off the deep end" with his recent declaration of a state of emergency; Murdoch suggested that Bainimarama might have declared the state of emergency to secure his position before visiting the MFO in the Sinai. Goff described Bainimarama as "just a tool of the Muslim Indian population" and concerned with self-preservation above all.

¶15. (C) Noting how sensitive the issue was in Washington, Hill asked how great an impact termination of Fiji's participation in multilateral deployments like the Sinai MFO would have on the Fijian economy and support for the interim regime. Goff said the impact would be considerable, as would an end to UK recruitment of Fijians into the British military. Murdoch later said that the NZG appreciated the steps the USG has taken for far regarding Fiji and, when Hill asked if the USG should "step it up," Murdoch replied, "not necessarily." Regarding the UK, Murdoch said that New Zealand understood that British armed forces could not stop recruiting Fijians altogether. Nonetheless, the GNZ was

pushing the UK to "do less" recruiting and, just as important, tell the Fijian government that they are doing less, which New Zealand calculates would have a significant impact on attitudes within the Fijian military.

¶16. (C) Murdoch emphasized that criticism of the interim government is growing and that only "30-40 members of the military back" the Commodore. The ultimate goal is to have the "Fiji establishment" turn on Bainimarama. The opprobrium of other Pacific Island leaders was key to this, Murdoch said, noting that Australian and New Zealand opposition to Bainimarama was often perceived by other regional leaders as overbearing and too direct.

¶17. (C) Murdoch described the upcoming Pacific Islands Forum (PIF) as "a defensive operation for us." The NZG worries that Pacific leaders, out of a mistaken sense of solidarity with Bainimarama, will "clam up" on the situation in Fiji. The Samoans and Tongans are firm, but Murdoch expressed concerns that the Tongans, as hosts, would waver rather than be embarrassed by divisions at the PIF. The Solomons Murdoch described as "a wildcard" regarding Fiji. Hill said that he had no plans to meet with Bainimarama at the PIF, but that DAS Davies might meet Bainimarama during the U.N. General Assembly.

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Timor Leste  
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¶18. (C) Goff expressed satisfaction that FRETILIN was out of power, but noted that the new ruling alliance was inexperienced and "lacked clout." Goff described PM Guzman as having integrity, but also unfocussed and surrounded by an unhelpful "old crowd." Timor-Leste faced a "big rebuilding

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job," Goff warned. NZ would continue to work with Australia to improve police-army coordination in Timor-Leste. A sound security review, with capacity building, "is the path to the exit for Australia and New Zealand," Goff said. Murdoch emphasized that "it's time to stop thinking about Timor-Leste as a cause and start thinking about it as a strategic issue."

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Solomons  
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¶19. (C) New Zealand "will hang in" in the Solomons, Goff confirmed, and will hope for a leadership change. RAMSI has great popular support but cannot go on if its authorities and immunities are removed. Goff added that, while many "bad guys" are in jail, they are simply replaced by others. More positively, he said that civil society is starting to develop and popular pressure is beginning to have an impact on the government.

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China  
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¶20. (C) Hill expressed hope that fruitful cooperation on North Korea would help build "a sense of community" in northeast Asia, particularly between Beijing, Tokyo, and Seoul. At the same time, he voiced frustration that Beijing does not understand how concerned the U.S. is by China's weapons trade with Iran. Were Chinese arms shipped to Iran to end up in the hands of Iraqi insurgents and used to kill U.S. troops, consequences for the U.S.-China relationship would be severe, Hill noted.

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Iran  
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¶21. (C) In response to a question from Goff, Wilder said

that under Ahmedinejad Iran is playing games with the EU and IAEA rather than engaging seriously. In response, the U.S. was looking for "new pressure points" in hopes of changing Iran's internal dynamics. Ahmedinejad is overplaying his hand, Hill argued, leaving average Iranians feeling anxious and isolated. He expressed hope that improved cooperation with China resulting from work together on the DPRK nuclear program would have a beneficial spinoff on Iran. He noted that Beijing "is not defending Ahmedinejad as it once did." Nonetheless, he continued, the USG is frustrated that Beijing is so vigorously protecting its Iran trade, which accounts for only one per cent of China's total trade.

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Partnership Forum and Work/Travel Agreement  
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¶22. (C) These meetings took place during the second "U.S.-New Zealand Partnership Forum," a gathering of prominent figures from the public and private sector who meet to seek ways to improve the bilateral relationship. The highlights were speeches by PM Clark and opposition leader Key, as well as A/S Hill. All noted the significant improvement in the tone of the relationship over the past few years. His Partnership Forum speech was Key's first major foreign policy address as opposition leader. The text was balanced and supportive of our bilateral relationship, but he came across as uncharacteristically tentative. National's shadow trade minister, Tim Groser, said to Auckland CG at a post-Forum event that Key was "nervous as hell" about his first foray into an area - foreign policy - considered one of PM Clark's great strengths. Above all, Key did not want to put a foot wrong, and in the end he did not.

¶23. (SBU) Participants called the Forum a considerable success, particularly since participation of many significant

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players remained so uncertain right up to a few weeks before the event that the organizers considered pulling the plug. Despite the success, there was general agreement that it was time for the Forum to move beyond the talking stage and, at its next meeting in 18 months time, consider producing concrete proposals for policymakers. Many participants also agreed with former Deputy Secretary Armitage's suggestion that Forum delegations, a rather grey-haired crowd (particularly on the U.S. side), needed to draw in younger participants and also put the bilateral security relationship on the agenda.

¶24. (SBU) Hill and Murdoch signed an agreement during the Forum that will permit young New Zealanders to travel and work in the U.S. for up to 12 months during their college years, an extension beyond the current four-month limit. Such an "overseas experience," or "OE," is an iconic right of passage for young Kiwis, many of whom currently spend it in the UK or Canada where work rules are friendlier. Judging by the flood of inquiries to our press and consular operations in the hours after the announcement of the signing, the new agreement will prove popular.

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Participants  
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¶25. (SBU) Assistant Secretary Hill was joined in all his meetings by Ambassador McCormick, NSC Senior Director Wilder, DCM Keegan, EAP/ANP Director McGann, Auckland CG Desrocher (notetaker) and EAP Special Assistant Klein.

¶26. (SBU) New Zealand participation was as follows:

Murdoch Meeting

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MFAT CEO Simon Murdoch  
MOD Secretary John McKinnon

Ambassador Roy Ferguson  
MFAT John McArthur  
MFAT Carl Worker  
MFAT Elizabeth Halliday  
Goff Special Assistant Taha McPherson  
MFAT James Waite

Goff Meeting

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Same as above plus Trade and Defence Minister Goff.

Key Meeting

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National Party leader John Key  
Shadow Foreign Minister MP Martin McCully  
Key Chief of Staff Wayne Eagleson  
MCCORMICK